

the complete trip from San Francisco to London is not entirely by air.

Example (3). A purchases a through ticket for air transportation from San Francisco to London with stopovers at Denver, Chicago, Philadelphia, and New York. At each stopover the air carrier has scheduled his arrival and departure within 6 hours. After arriving in Philadelphia, A, for his own convenience, decides to stopover for more than 6 hours. The total amount paid by A for his transportation from San Francisco to New York is subject to tax since the scheduled interval between the beginning or end and the end or beginning of any two segments of the domestic portion of international air transportation exceeded 6 hours. If the stopover interval in Philadelphia is extended for more than 6 hours by the carrier solely for its own convenience such as making repairs to the aircraft, the domestic portion of A's trip will not become taxable, provided A continues his international air transportation no later than on the first available flight offered by the carrier.

Example (4). A purchases a through ticket for transportation by air from Los Angeles to Barbados with stopovers at Houston, Mexico City, Mexico, and Miami. At each stopover, except Mexico City, A's scheduled time of arrival and departure is within six hours. At Mexico City, A's scheduled time of arrival and departure exceeds six hours. The total amount paid by A for his transportation from Los Angeles to Miami, including that part of the transportation to and from Mexico City, is subject to tax since the transportation includes a portion which is indirectly from one port or station in the United States to another port or station in the United States (Houston to Miami via Mexico City) and the scheduled interval in Mexico City between two segments of such portion exceeds six hours. If A's scheduled arrival and departure at each stopover of his transportation which is directly or indirectly between ports or stations in the United States, including that at Mexico City, had been within a six hour interval and A had arrived and departed at each such stopover within that period, the transportation would have qualified as uninterrupted international air transportation and no part of the amount paid for the transportation by air from Los Angeles to Barbados would be subject to tax.

(e) *Illustrations of transportation which is not taxable transportation.* The following examples will illustrate transportation which is not taxable transportation:

(1) New York to Trinidad with no intervening stops;

(2) Minneapolis to Edmonton, Canada, with a stop at Winnipeg, Canada;

(3) Los Angeles to Mexico City, Mexico, with stops at Tia Juana and Guadalupe, Mexico;

(4) New York to Whitehorse, Yukon Territory, Canada, after November 15, 1962, by air with a scheduled stopover in Chicago of five hours.

Amounts paid for the transportation referred to in examples set forth in subparagraphs (1), (2), and (3) of this paragraph are not subject to the tax regardless of where payment is made, since none of the trips (i) begin in the United States or in the 225-mile zone and end in the United States or in the 225-mile zone, nor (ii) contain a portion of transportation which is directly or indirectly from one port or station in the United States to another port or station in the United States. The amount paid within the United States for the transportation referred to in the example set forth in subparagraph (4) of this paragraph is not subject to tax since the entire trip (including the domestic portion thereof) is "uninterrupted international air transportation" within the meaning of section 4262(c) (3) and paragraph (c) of § 49.4262(c)-1. In the event the transportation is paid for outside the United States, no tax is due since the transportation does not begin and end in the United States.

[T.D. 6430, 24 FR 9665, Dec. 3, 1959, as amended by T.D. 6618, 27 FR 11223, Nov. 14, 1962]

§ 49.4262(b)-1 Exclusion of certain travel.

(a) *In general.* Under section 4262(b) taxable transportation does not include that portion of any transportation which meets all four of the following requirements:

(1) Such portion is outside the United States;

(2) Neither such portion nor any segment thereof is directly or indirectly:

(i) Between (a) a point where the route of the transportation leaves or enters the continental United States, or (b) a port or station in the 225-mile zone, and

(ii) A port or station in the 225-mile zone;

(3) Such portion:

(i) Begins at either (a) the point where the route of the transportation

leaves the United States, or (b) a port or station in the 225-mile zone, and

(ii) Ends at either (a) the point where the route of the transportation enters the United States, or (b) a port or station in the 225-mile zone; and

(4) A direct line from the point (or the port or station) specified in subparagraph (3) (i) of this paragraph, to the point (or the port or station) specified in subparagraph (3) (ii) of this paragraph, passes through or over a point which is not within 225 miles of the United States. For purposes of this section, the route of the transportation shall be deemed to leave or enter the United States when it passes over (i) the international boundary line between any part of the United States and a contiguous foreign country, or (ii) a point three nautical miles (3.45 statute miles) from low tide on the coast line.

(b) *Transportation to or from Alaska or Hawaii.* (1) Under the provisions of section 4262(b) transportation between the continental United States or the 225-mile zone and Alaska or Hawaii will be partially exempt from the tax. The portion of such transportation which (i) is outside the United States, (ii) is not transportation between ports or stations within the continental United States or the 225-mile zone, and (iii) is not transportation between ports or stations within Alaska or Hawaii, meets all the requirements set forth in section 4262(b) and is excluded from taxable transportation.

(2) The provisions of subparagraph (1) of this paragraph may be illustrated by the following examples:

Example (1). A buys a ticket for transportation by air from Seattle to Fairbanks, Alaska, via Ketchikan and Juneau, Alaska, and Whitehorse, Yukon Territory, Canada. The portion of the transportation between the point where the route of the transportation leaves the continental United States and the point where it first enters Alaska (the three-mile limit or the international boundary) is not subject to tax.

Example (2). B purchased combination rail-water transportation beginning before November 16, 1962, from Chicago to Juneau, Alaska, by way of Vancouver, Canada. The portion of the transportation from Vancouver to the point where the route of the transportation enters the three-mile limit off the coast of Alaska is not subject to tax.

Example (3). C purchases a ticket in the United States for transportation by air from Vancouver, Canada, to Honolulu, Hawaii. No part of the route followed by the carrier passes through or over any part of the continental United States. The only part of the payment made by C for this transportation which is subject to the tax is that applicable to the portion of the transportation between the three-mile limit off the coast of Hawaii and the airport in Honolulu.

(c) *Method of computing tax on travel not excluded.* (1) Where a payment is made for transportation which includes transportation excluded under the provisions of section 4262(b):

(i) The tax may be computed on that proportion of the total amount paid which the mileage of the taxable portion of the transportation bears to the mileage of the entire trip, or

(ii) If the taxable portion of the transportation includes transportation from one port or station to another port or station for which an applicable local fare of a like class is available, the tax may be computed on the amount of such local fare, plus an amount equivalent to that proportion of the remainder of the total amount paid which the mileage of the remainder of the taxable portion of the transportation bears to the remainder of the mileage of the entire trip. If the taxable transportation includes a leg from a station to a coastal gateway point of embarkation for which a uniform fare is charged regardless of the gateway point actually used, the tax on such a leg may be computed on the basis of such uniform fare. In the absence of a fare described in this subparagraph, the tax must be determined in accordance with subdivision (i) of this subparagraph. If the taxable portion of the transportation includes a leg between coastal gateway points of embarkation for which no additional fare is charged no tax shall be applicable to such leg of the transportation.

(2) The basis for determining the proportions described in subdivisions (i) and (ii) of subparagraph (1) of this paragraph shall be the average mileage of the established route traveled by the carrier between given points under normal circumstances.

(d) *Illustration.* The application of paragraph (c) of this section may be illustrated by the following example:

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Example. On October 10, 1959, A purchases in San Francisco a ticket for transportation by air to Honolulu, Hawaii. The portion of the transportation which is outside the continental United States and is outside Hawaii is excluded from taxable transportation. The tax applies to that part of the payment made by A which is applicable to the portion of the transportation between the airport in San Francisco and the three-mile limit off the coast of California (a distance of 15 miles) and between the three-mile limit off the coast of Hawaii and the airport in Honolulu (a distance of 5 miles). The part of the payment made by A which is applicable to the taxable portion of his transportation and the tax due thereon are computed in accordance with paragraph (c)(1) as follows:

Mileage of entire trip (San Francisco airport to Honolulu airport) (miles)	2,400
Mileage in continental United States (miles)	15
Mileage in Hawaii (miles)	5
	<hr/> 20
Fare from San Francisco to Honolulu	\$168.00
Payment for taxable portion (20/2400 × \$168) ...	\$1.40
Tax due (10% (rate in effect on date of payment) × \$1.40)	\$0.14

(All distances and fares assumed for purposes of this example. If transportation begins after November 15, 1962, the tax applies only to the amount paid for transportation by air and should be computed at the rate of 5 percent.)

[T.D. 6430, 24 FR 9665, Dec. 3, 1959, as amended by T.D. 6618, 27 FR 11224, Nov. 14, 1962]

§ 49.4262(c)-1 Definitions.

(a) *The continental United States.* For purposes of the regulations in this subpart, the term “continental United States” includes only the 48 States existing on July 25, 1956 (the date of the enactment of the Act of July 25, 1956 (Pub. L. 796, 84th Cong., 70 Stat. 644)) and the District of Columbia, including inland waters (such as rivers, lakes, bays, etc.) lying wholly therein, and, where an international boundary line divides inland waters, such parts of such inland waters as lie within the boundary of the United States, and also the waters 3 nautical miles (3.45 statute miles) from low tide on the coast line. For purposes of the regulations in this subpart, the term “continental United States” does not include Alaska or Hawaii for any period either prior or subsequent to their admission into the Union as States.

(b) *The 225-mile zone.* For purposes of the regulations in this subpart, the term “225-mile zone” means that por-

tion of Canada and Mexico which is not more than 225 miles from the nearest point in the continental United States. Whether any point in Canada or Mexico is more than 225 miles from the continental United States is to be determined by measuring the distance from such point to the nearest point on the boundary of the continental United States.

(c) *Uninterrupted international air transportation.* (1) For the purpose of the regulations in this subpart, the term “uninterrupted international air transportation” means transportation entirely by air which does not begin in the United States or in the 225-mile zone and end in the United States or in the 225-mile zone provided that:

(i) Where the transportation within the United States involves one stop, the scheduled interval between the beginning or end of the United States portion of such air transportation and the end or beginning of the remainder of the air transportation, and

(ii) Where the United States portion of such transportation involves two or more stops, the scheduled interval between the beginning or end of one segment and the end or beginning of the continuing segment of such portion does not exceed six hours. The transportation is considered to be entirely by air even though the passenger may use other means of transportation between two airports provided the scheduled six-hour limitation for his continuing air transportation is complied with. Transportation which otherwise is uninterrupted international air transportation does not cease to be such because of the use of non-air transportation between ports or stations which are outside the United States, provided the non-air transportation is not part of transportation which is indirectly from one port or station in the United States to another port or station in the United States.

(2) Where the interval between arrival and departure time at any stop-over point in the United States exceeds six hours, such transportation is not uninterrupted international air transportation even though the schedules of the air lines do not make possible a scheduling within the six-hour limit. Where any interval scheduled for six